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TO: Dave Beran
FROM: Michael W. Murphy
SUBJECT: Red Yellow Green W/E 01/05/96
RED

DATE: January 5, 1996

Basic Box

Production is complete and allocations have been communicated to the field. A total of 69 district/section meetings began taking place on January 2nd; 61 will occur the week of January 2nd. All meeting materials were successfully distributed to the field, including sell-in book forms, and sales samples) so that the field can begin executing. Allocations of POS materials are being completed for the force shipment of van and retail kits and for ordering. The retailer gifts are expected at PM Express between January 8th - January 12th for timely shipment along with POS materials.

Everything is on schedule for the February 1st Direct Mail to Basic, Competitive Discount, and Newport smokers. Pocket calendars are now being printed for delivery on the 15th of January to be inserted into the mailing.

Everything is on schedule for the February 25th B2G1F FSI and March B2G1F.

Dave's - Portland

Dave's share in C-stores is at 1.2 week ending 12/23/95. Distribution is flat at 89% for C-stores and 93% in supermarkets. Dave's performance is consistent with Seattle and above Denver on a cumulative basis. More active Camel competitive activity (product promotions) was noted in Portland vs. Seattle with Camel realizing a .4 share pt. gain in December.

YELLOW

Cambridge

Advertising — The "Diner" theme communication roll-out begins in January with initial direct mail to both Competitive and Cambridge smokers. This will be followed with the theme being integrated in all other parts of the Cambridge 96 marketing plan.

Dave's

Denver Test Market— In C-Stores, performance for week ending 12/23/95 remains at .7 share. C-Store distribution remains at 88%.

Seattle Test Market— In C-Stores, Dave's share remains steady at 1.8% week ending 12/23/95. C-store distribution has remained flat at 92% with supermarket distribution at 58%.

FVB

Best Buy Marketing Plan—Will be meeting with Core-Mark officials 1/10 in San Francisco to review elements of proposed "Best Buy" marketing plan.

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Best Buy / Genco Box—Packaging has prepared comps of Best Buy Box packings that have been reviewed with Core-Mark. Genco comps are being prepared for review with Amcon later this month. Core-Mark will be adding FF & 100MM Regular and 100MM FF Menthol, while Amcon has opted for three KS box packings FF&Lights Regular and FF Menthol.

Competitive Activity—STARS data indicates that Eby Brown has begun distributing a new Ligget P/L brand named "LARAMIE". Eby has been a major "Best Buy" associate, representing 14% of total label sales in '95. Curiously, recent trademark had been registered by Mexico's La Moderna 1/95 with U.S. Patent & Trademark office. Continuing to investigate.

GREEN

Basic

Advertising

Print — "Destination" and "Night Out" are appearing in January. "Basic Box" will appear in February. "New Look", " '96 Models", "Box Seats" and "Box 'N Match" will be completed for March/April.

OOH--- "Your Basic Box" Advertising is set to break in the beginning of February in mid-February. "NEW BOX" (menthol) will be breaking in 8-Sheet. March/April will include "ICE BOX" (menthol), '96 Models (auto markets), and "Grand Opening" (recently approved).

National Retail Promotions

"Your Basic Box Introduction" -- ON SCHEDULE

January - B2G free DJeep Lighter 5.0 million deals.

February - B2G1F - 5.0 million deals.

March Box Introduction - B2G1F - 2.1 million deals.

March/April - price promotion (3/18 - 4/12) at \$0.20 per pack/\$2 per carton in RM Accounts.

Non RM Accounts - B2G1F - 1.4 million deals

"Your Basic Banquet" -- On schedule

May - B3G BBQ Lighter: 3.5 million deals, packaging completed and approved.

Targeted / Miscellaneous Programs

April - June Menthol SBO -B2G1F and B1G Lighter are on schedule. All A&K has been delivered to Madden, Lighters are expected on schedule, and product is on time. The promotion will include 25% Basic Menthol FF Box.

Special Opportunity Store (SOS) Initiative — Trade Marketing is sending out the communication to the field next week.

Mega and Attitude POS - LBCo is planning to present comps w/o 1/15. Developing permanent POS: Basic LED sign, Basic Trivision, and Basic Floorstand.

Mega Sweepstakes - Developing a June sweepstakes promotion intended for Mega accounts where consumers can win a free Weber BBQ grill. The drawing would be held in-store and generate additional visibility for Basic.

Cambridge

Direct Mail

October Defensive Direct —"Club Cambridge" catalogue mailing response is above initial forecast; however, in recent weeks response has declined and 1995 unfavorable budget implications appear to be less than originally projected to date.

January '96 Offensive/Defensive Direct - mailing to 850,000 to introduce the Cambridge Diner imagery. On schedule to drop 1/29/96.

March '96 Catalog Defensive - Mailing to 300,000 Cambridge consumers responsive to continuity. Catalog tie in with the Cambridge Diner communication. Drops 3/18. On schedule. Catalog carton inserts are scheduled at retail in April (655M).

FSI

January - Cambridge Diner theme used in 1/28/96 FSI. Used both News America and Valassis to obtain stronger penetration in C&D counties. Circ. 30MM. On schedule.

Retail Promotions

January Carton —Buy 1 carton, get 5 packs free featured at retail in Cambridge's Tier 1 markets (450 M deals). Product utilization is at 99%. On schedule.

April Pack —Buy 2 packs, get a magnetic "Cambridge Clip" (integrated with Diner theme) featured at retail in Tier 1 markets (1.4 MM deals). Will include BB offering a coupon booklet (2 B2G1F and 2 B3G2F coupons) for 50 UPC's. A retail laminated Cambridge catalog card (March Direct) will be supplied in each retail kit. On schedule.

April Carton —Buy 1 carton, get 5 packs free featured at retail in Tier 2 markets (375M deals). A retail laminated Cambridge catalog card (March Direct) will be supplied in each retail kit. Creative will reinforce the Diner communication. On schedule.

Targeted Initiatives

Mega Meet Comp Program (10/15 - 12/30/96)

— 4th quarter budget utilization @ 113% in 44% of potential stores

Supermarket

Media One— (avg. 2200 supermarkets per month) Media One will be utilized in April to enhance awareness of Cambridge's March Direct catalog. All visibility pieces will integrate the Cambridge Diner communication platform "Serving Good Smokes at a Fair Price". Each store will feature headers, tear pads and / or take ones for the catalog items.

Catalina Couponing — Cambridge purchasers were rewarded a phone card in December 95. Catalina reps placed shelf talker in all participating stores and FSF was made aware of program via a separate communication to insure in-stock store conditions. Awaiting final redemption / response information. OPB will share with Cambridge in January 96 Catalina coupon program. All Cambridge Catalina coupons will feature the new tagline "Serving Good Smokes at a Fair Price".

Robinson and Maites - Unique Cambridge programs for 3 Supermarket chains (one each in St. Louis, Denver and Minneapolis) are currently being developed for test in 1st qtr 96. Met with FSF account managers of designated accounts. Robinson and Maites to present initial program development ideas to brand the week of 1/22/96 followed by recontact to FSF account managers for feedback.

POS

All current temporary POS will be revised to incorporate Diner imagery. A forced "sample" shipment of van / merchandising kits is scheduled for distribution in April 1996 which will include a laminated reference card for kit ordering. The April planner will feature a letter to the FSF informing them of the rationale and integration of the Cambridge Diner theme in all upcoming 1996 Sales and Marketing programs.

Dave's

All retail / direct activity execution will match up for Portland, Lil' Denver and Seattle in Feb '96. All Media activity will match up in these test markets in March 96.

Advertising

Print - Jan / Feb - "Jingle", "Anvil", "Channel Lock" - all test markets
March - "Watching Cable", "Guarantee" - all test markets
OOH - Jan / Feb - "Sledge Hammer", "Different Smokes" - Seattle & Lil' Denver
Jan / Feb - "Since 1994", "20 Signed Originals", "Monkey Wrench",
"C - Clamp" -Portland
March - out

Retail

'96 "Lil" Denver —(retail allocations supplied for only 2 units in Denver where STARS indicates high SOM pockets in market)

January 96 -- 2 Packs w/ Lighter - 90% Utilization - on schedule (Portland only)
February 96-- B2G1F w/ Bounce Back T-Shirt - on schedule (all test markets)
April 96--2 Packs w/ Work Gloves - on schedule (all test markets)
June 96-- 2 Pack w/ Dave's Mug - on schedule (all test markets)

Direct

February 95-- Dave's Address Book with coupons - on schedule (all test markets)

Alpine

Direct Mail

October Direct— (10/23) Postcard mailing to 125,000 Alpine smokers is meeting forecast on the BB sleeping bag offer.

National Retail Promotions

1996 — B2G1F subscription program on schedule to be executed in Alpine's strongest 17 markets. STARS and market data has been matched to select participating stores for this promotion in the months of February, May, August and November 1996.

Carton promotion — Free Alpine t-shirt with carton purchase (from residual inventory) is being developed for placement in Alpine's 15 strongest markets (73,000 deals). Currently awaiting timing information from Sales regarding placement on the PPP calendar.

January 1996 — Buy 2 packs, get a lighter promotion being placed in Section 43 (111 20-deal kits left over from Fall SBO).

FVB

GDA - GDA attorneys have made overtures to Legal to provide information we have previously requested on this relationship with Tabacalera S.A. ("Ultra Buy"). Reviewing our response with Legal. At present, we are still withholding one million dollars in "Exclusive Grant" payments.

State Tax Refunds/Recall - Except for NYS and NYC, tax refund applications have been filed in all other states, and we have received about five million dollars back to date.

cc: N. Conrad
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